

The OECD found, however, that the relative importance of trade associated with U.S. MNEs (both exports and imports) for the U.S. fell slightly from 1982 to 1989, but this was due to a fall in trade with non-affiliated firms.<sup>54</sup> Trade with majority-owned affiliates did not fall. This trading pattern could be indicative of the MNE's growing preference over the 1980s for "close" trade rather than "arm's length" trade. Intra-firm trade was also found to be heavily concentrated in only three industries; transport equipment, machinery and chemicals (Table 3.3.5). However, these sectors all account for a large proportion of total exports and it may be only logical that they should also dominate IFT. With these qualifiers in mind, IFT was still shown to have represented a significant portion of total U.S. trading activity in the 1980s.

A recent Conference Board of Canada survey concerning Canada-U.S. intra-firm trade also found that intra-firm trade was significant, although it has been decreasing on both the export and import side since 1985.<sup>55</sup> This can be seen in Tables 3.3.6 and 3.3.7. The ratio of intra-firm exports to total firm exports fell from greater than 50% to less than one third between 1985 and 1990. The import side also shows a similar fall during that period. The Conference Board, however, still emphasized the high share of intra-firm trade. They also noted that Canadian-owned MNEs exported more to their U.S. affiliates than they imported. This is consistent with the OECD's findings and is also interesting because Canada, the small economy, is exporting more to its affiliates in the larger U.S. market.

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<sup>54</sup>OECD, *Intra-Firm Trade Study*, para. 37. A U.S. MNE consists of a U.S. parent and its foreign affiliates. A U.S. parent is defined as a U.S. person that owns or controls 10% or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise. Majority ownership implies controlling 50% or more of these voting securities.

<sup>55</sup>S. Krajewski, *Intrafirm Trade and the New North American Business Dynamic*, Conference Board of Canada Report No. 88-92, 1992.